

House File 689 - Introduced

HOUSE FILE _____
BY SANDS

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing a tax credit to certain small businesses for
2 increased wages paid to employees and including a retroactive
3 applicability date provision.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2329YH 83
6 tw/mg:sc/14

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1 1 Section 1. NEW SECTION. 422.11X WAGE INCREASE TAX
1 2 CREDIT.
1 3 1. a. The taxes imposed under this division, less the
1 4 credits allowed under section 422.12, shall be reduced by a
1 5 wage increase tax credit.
1 6 b. The amount of the credit shall be equal to the
1 7 aggregate amount of wages paid to employees in the tax year
1 8 that is in excess of the aggregate amount of wages paid to
1 9 employees in the prior tax year. In calculating the aggregate
1 10 amount of wages paid to employees, the taxpayer shall comply
1 11 with all of the following:
1 12 (1) For an employee employed for the entirety of both tax
1 13 years, the taxpayer shall subtract the gross amount of wages
1 14 paid to that employee in the prior tax year from the gross
1 15 amount of wages paid to that employee in the tax year.
1 16 (2) For an employee employed less than the entirety of the
1 17 prior tax year, the taxpayer shall calculate the gross amount
1 18 of wages that would have been paid to the employee if the
1 19 employee had been employed at the most recent wage rate for
1 20 the entirety of the prior tax year and shall subtract that
1 21 amount from the gross wages paid to the employee in the tax
1 22 year.
1 23 (3) If the gross amount of wages paid to an employee in
1 24 the tax year do not exceed the gross amount of wages paid in
1 25 the prior tax year, even if the employee's hourly wage rate
1 26 was increased, then no amount of wages paid in the tax year
1 27 shall be included in the amount of the increased wages.
1 28 (4) Wages paid in the tax year to an employee who was not
1 29 employed in the prior tax year shall not be included in the
1 30 amount of the increased wages paid.
1 31 2. To be eligible for the tax credit, an employer shall be
1 32 a business that is under a single management and that has
1 33 fifty or fewer employees.
1 34 3. An individual may claim a tax credit under this section
1 35 of a partnership, limited liability company, S corporation,
2 1 estate, or trust electing to have income taxed directly to the
2 2 individual. The amount claimed by the individual shall be
2 3 based upon the pro rata share of the individual's earnings
2 4 from the partnership, limited liability company, S
2 5 corporation, estate, or trust.
2 6 4. Any tax credit in excess of the taxpayer's liability
2 7 for the tax year is not refundable, but the taxpayer may elect
2 8 to have the excess credited to the tax liability for the
2 9 following two years or until depleted, whichever is earlier.
2 10 A tax credit shall not be carried back to a tax year prior to
2 11 the tax year in which the taxpayer first receives the tax
2 12 credit.
2 13 5. A taxpayer eligible for the tax credit shall include
2 14 with the taxpayer's return information documenting the total
2 15 amount of increased wages paid to each employee during the tax
2 16 year and the prior tax year.
2 17 6. A taxpayer taking a deduction for wages paid to
2 18 employees in a tax year for state tax purposes cannot claim a
2 19 tax credit under this section.

2 20 Sec. 2. Section 422.33, Code 2009, is amended by adding
2 21 the following new subsection:
2 22 NEW SUBSECTION. 27. The taxes imposed under this division
2 23 shall be reduced by a wage increase tax credit in the same
2 24 manner, for the same amount, and under the same conditions as
2 25 provided in section 422.11X.

2 26 Sec. 3. Section 422.60, Code 2009, is amended by adding
2 27 the following new subsection:
2 28 NEW SUBSECTION. 15. The taxes imposed under this division
2 29 shall be reduced by a wage increase tax credit in the same
2 30 manner, for the same amount, and under the same conditions as
2 31 provided in section 422.11X.

2 32 Sec. 4. NEW SECTION. 432.12M WAGE INCREASE TAX CREDIT.
2 33 The taxes imposed under this chapter shall be reduced by a
2 34 wage increase tax credit in the same manner, for the same
2 35 amount, and under the same conditions as provided in section
3 1 422.11X.

3 2 Sec. 5. Section 533.329, subsection 2, Code 2009, is
3 3 amended by adding the following new paragraph:
3 4 NEW PARAGRAPH. n. The moneys and credits tax imposed
3 5 under this section shall be reduced by a wage increase tax
3 6 credit in the same manner, for the same amount, and under the
3 7 same conditions as provided in section 422.11X.

3 8 Sec. 6. RETROACTIVE APPLICABILITY DATE. This Act applies
3 9 retroactively to January 1, 2009, for tax years beginning on
3 10 or after that date.

3 11 EXPLANATION

3 12 This bill provides a tax credit to certain businesses for
3 13 increasing the wages of employees. The amount of the credit
3 14 is equal to the aggregate amount of wages paid in the tax year
3 15 that is in excess of the amount of wages paid in the prior tax
3 16 year. The bill provides a method for determining the amount
3 17 of wages paid to employees who were not employed for the
3 18 entirety of both tax years. The wages paid to employees in
3 19 the tax year who were not employed during the prior tax year
3 20 cannot be included in the calculation of the amount of the
3 21 credit.

3 22 To be eligible for the tax credit, an employer has to be a
3 23 business operated under single management and with 50 or fewer
3 24 employees. Taxpayers taking a deduction for wages paid to
3 25 employees cannot also claim the tax credit. The tax credit is
3 26 not refundable but may be carried forward for up to two years.

3 27 The bill applies retroactively to January 1, 2009, for tax
3 28 years beginning on or after that date.

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